



**Mary Taylor, CPA**  
Auditor of State



JEFFERSON TOWNSHIP  
RICHLAND COUNTY

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Mary Taylor, CPA  
Auditor of State

Jefferson Township  
Richland County  
285 South Main Street  
Bellville, Ohio 44813

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 6, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township  
Richland County  
285 South Main Street  
Bellville, Ohio 44813

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Jefferson Township, Richland County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and cash disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

July 6, 2010



**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$41,962	\$645,965	\$69,934	\$757,861
Charges for Services	35			35
Intergovernmental	78,850	227,318	11,452	317,620
Earnings on Investments	8,297	538		8,835
Miscellaneous	1,492	274		1,766
	<u>130,636</u>	<u>874,095</u>	<u>81,386</u>	<u>1,086,117</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	107,305	31,259		138,564
Public Safety		167,616		167,616
Public Works		499,978		499,978
Health	8,743			8,743
Human Services		51,223		51,223
Conservation - Recreation			1,654	1,654
Capital Outlay		16,100		16,100
Debt Service:				
Redemption of Principal		82,500	29,200	111,700
Interest and Other Fiscal Charges	47	4,840	57,676	62,563
	<u>116,095</u>	<u>853,516</u>	<u>88,530</u>	<u>1,058,141</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>14,541</u>	<u>20,579</u>	<u>(7,144)</u>	<u>27,976</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		785		785
Transfers-Out	(785)			(785)
Advances-In		6,000		6,000
Advances-Out		(6,000)		(6,000)
	<u>(785)</u>	<u>785</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,756	21,364	(7,144)	27,976
Fund Cash Balances, January 1	<u>175,088</u>	<u>944,664</u>	<u>120,768</u>	<u>1,240,520</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$188,844</u></b>	<b><u>\$966,028</u></b>	<b><u>\$113,624</u></b>	<b><u>\$1,268,496</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$266</u>	<u>\$0</u>	<u>\$266</u>

*The notes to the financial statements are an integral part of this statement.*

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$46,105	\$674,782	\$72,047	\$792,934
Licenses, Permits, and Fees		659		659
Intergovernmental	55,078	231,629	10,347	297,054
Earnings on Investments	15,295	2,061		17,356
Miscellaneous	1,986	6,340		8,326
	<u>118,464</u>	<u>915,471</u>	<u>82,394</u>	<u>1,116,329</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	138,518	3,871		142,389
Public Safety		163,311		163,311
Public Works		514,278		514,278
Health	1,637			1,637
Human Services		47,719		47,719
Conservation - Recreation			1,462	1,462
Capital Outlay		118,328		118,328
Debt Service:				
Redemption of Principal		7,500	28,100	35,600
Interest and Other Fiscal Charges		3,336	58,765	62,101
	<u>140,155</u>	<u>858,343</u>	<u>88,327</u>	<u>1,086,825</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(21,691)</u>	<u>57,128</u>	<u>(5,933)</u>	<u>29,504</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		6,185		6,185
Transfers-Out		(6,185)		(6,185)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(21,691)	57,128	(5,933)	29,504
Fund Cash Balances, January 1	196,779	887,536	126,701	1,211,016
<b>Fund Cash Balances, December 31</b>	<b><u>\$175,088</u></b>	<b><u>\$944,664</u></b>	<b><u>\$120,768</u></b>	<b><u>\$1,240,520</u></b>
Reserve for Encumbrances, December 31	<u>\$878</u>	<u>\$2,148</u>	<u>\$0</u>	<u>\$3,026</u>

*The notes to the financial statements are an integral part of this statement.*

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Richland County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and cemetery maintenance. The Township contracts with the Jefferson Township-Bellville Fire Department, a legally separate non-profit corporation, to provide fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash**

The Township values certificates of deposit at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Road District Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Permissive Sales Tax Fund - This fund receives County sales tax money for repair and maintenance of Township roads and equipment.

Fire District Fund - This fund receives property tax money for providing fire protection and emergency medical services.

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Fire Station Debt Service Fund – This fund receives property tax money for retiring debt related to the construction of the Township’s firehouse.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Cash**

The Township maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2009	2008
Demand deposits	\$1,188,655	\$1,030,520
Certificates of deposit	79,841	210,000
Total deposits	\$1,268,496	\$1,240,520

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$102,000	\$130,636	\$28,636
Special Revenue	889,478	880,880	(8,598)
Debt Service	88,000	81,386	(6,614)
Total	\$1,079,478	\$1,092,902	\$13,424

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$274,077	\$116,880	\$157,197
Special Revenue	2,044,077	859,782	1,184,295
Debt Service	211,845	88,530	123,315
Total	\$2,529,999	\$1,065,192	\$1,464,807

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$134,100	\$118,464	(\$15,636)
Special Revenue	819,381	921,656	102,275
Debt Service	80,000	82,394	2,394
Total	\$1,033,481	\$1,122,514	\$89,033

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$321,794	\$141,033	\$180,761
Special Revenue	1,704,412	866,676	837,736
Debt Service	224,475	88,327	136,148
Total	\$2,250,681	\$1,096,036	\$1,154,645

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify the availability of funds and appropriations for all expenditures.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. Debt**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$1,369,000	4.125%

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**5. Debt (Continued)**

The Township issued general obligation bonds to repay the USDA for the federal loan issued for the construction and furnishing of a new fire house. The Township's taxing authority collateralized the bonds.

Amortization of the above debt, including interest, is scheduled as follows:

	General Obligation Bonds		
Year ending December 31:	Principal	Interest	Total
2010	\$30,300	\$54,506	\$84,806
2011	31,700	52,445	84,145
2012	32,900	50,380	83,280
2013	34,300	48,314	82,614
2014	35,600	46,245	81,845
2015-2019	201,900	200,102	402,002
2020-2024	247,100	147,977	395,077
2025-2029	302,500	95,443	397,943
2030-2034	370,200	42,387	412,587
2035	82,500	2,152	84,652
Total	\$1,369,000	\$739,951	\$2,108,951

**6. Retirement System**

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**7. Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Township participates in this coverage.

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC.

	<u><b>2008</b></u>	<u><b>2007</b></u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members’ Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jefferson Township  
Richland County  
285 South Main Street  
Bellville, Ohio 44813

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 6, 2010 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-002 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 6, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 6, 2010

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance**

**Ohio Rev. Code Section 5705.41(D)** provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

### FINDING NUMBER 2009-001 (Continued)

39% of expenditures tested were not certified by the fiscal officer prior to the purchase commitment being made. It was also found none of the exceptions above were properly utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance. In addition, we noted the Board of Trustees did not establish an amount in which blanket purchase orders may be written for, against any specific line item account over a period not running beyond the end of the current fiscal year and there was more than one blanket purchase order outstanding per line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments received prior approval. To improve control over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the fiscal officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Township should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Board should also establish an amount for which its blanket certificates may be written and the fiscal officer should only open one blanket certificate per line item appropriation.

**Officials' Response:** Blanket purchase orders, Then and Now purchase orders, and Regular purchase orders are being used correctly going forward per auditor's findings. At no time during audit period were fund balances in danger of having a negative balance due to discrepancy in purchase order issuance. Fund balances were monitored continually for possible impairment from disbursement cycle. At no time did fund balance of any fund show a negative balance.

### FINDING NUMBER 2009-002

#### Significant Deficiency

#### Transaction Posting

Our receipt and disbursement testing revealed the Township recorded several transactions incorrectly. Mispostings identified included, but were not limited, to the following:

- In 2009 and 2008, \$50,677 and \$42,373, respectively, were posted as transfers out rather than human services disbursements in the Special Revenue Funds. These amounts were adjusted to the financial statements.
- In 2008, \$6,185 was posted as intergovernmental receipts rather than transfers-in in the following funds: \$1,275 in the Gasoline Tax Fund, \$3,488 in the Road and Bridge Fund, \$435 in the Fire District Fund, and \$987 in the Permissive Sale Tax Fund. These amounts were adjusted to the financial statements.
- In 2009, \$74,800 and \$1,427, respectively, of debt service principal and interest were posted as other disbursements in the Fire District Fund. These amounts were adjusted to the financial statements.
- In 2008, \$3,226 in the General Fund, \$938 in the Road and Bridge Fund, \$2,627 in the Fire District Fund, \$603 in the Road Fund, and \$336 in the Butler-Clear Fork Nutrition Fund were posted as tax receipts rather than intergovernmental receipts. These amounts were reported to management as unadjusted items.

**FINDING NUMBER 2009-002 (Continued)**

- In 2008, \$578 of tax receipts were incorrectly posted to the Fire District Fund rather than the Butler-Clear Fork Nutrition Fund. This amount was adjusted to the financial statements and posted to the Township's ledger.
- In 2009 and 2008, \$18,050 and \$18,259, respectively, were posted as tax receipts rather than intergovernmental receipts. These amounts were adjusted to the financial statements.

The Township should review the Township Handbook and exercise due care when posting transactions to help ensure receipts and disbursements are posted to the correct fund and account. Additionally, the Board of Trustees should review cash reconciliations and monthly receipt and disbursement activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Township's financial activity and will aid in more accurate financial reporting.

**Officials' Response:** Transactions that were mis-posted have been corrected per auditor's recommendation thus increasing General Fund balance by of \$3,011, License Fund of \$31, Gas Fund of 35, and reducing Fire Station Debt Service of \$3,077. This is result of misinterpretation of ORC statement on posting of interest in first five months of 2008. Since that time interest earned for checking accounts and CD's have been correctly posted to correct accounts.

**JEFFERSON TOWNSHIP  
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Material Weakness – There were several receipt and disbursement misspostings identified.	No	Partially Corrected. See Finding Number 2009-002.
2007-002	Significant Deficiency – The Township provided funds to, and paid bills for, the Jefferson Township – Bellville Fire Department, but did not have a formal contract.	Yes	Finding No Longer Valid.
2007-003	Ohio Rev. Code Section 5705.42 – Ohio Public Works Commission Issue II monies paid on behalf of the Township were not recorded in the general ledger.	Yes	Finding No Longer Valid.
2007-004	Ohio Rev. Code Sections 135.21 and 5705.10 – Interest was allocated to the Debt Service Fund and the allocation was not based on fund balance.	No	Partially Corrected.
2007-005	Ohio Rev. Code Section 5705.41(D) – The Township did not certify disbursements.	No	Not Corrected. See Finding Number 2009-001.
2007-006	U.S. Office of Management and Budget (OMB) Circular A-133 – The Township did not have a separate Single Audit performed for 2006 even though they spent more than \$500,000 of Federal disbursements.	Yes	Finding No Longer Valid.



**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON TOWNSHIP**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 4, 2010**